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SUBJECT: TOKYO MEDICAL CENTER BREAKS NEW GROUND IN HEALTH
SERVICES

¶1. (SBU) Summary. The Tokyo Midtown Medical Center (TMMC), located in the newly opened Tokyo Midtown complex in the Roppongi area of central Tokyo, boasts Japan's first hospital with a foreign affiliation. TMMC has contracted with Johns Hopkins International (JHI), part of the Johns Hopkins medical center in Baltimore, Maryland. Besides providing TMMC with an internationally-known brand, JHI will be responsible for training TMMC staff and also will provide TMMC patients with second opinion consultations. TMMC will offer general medical treatment covered by Japan's national health insurance as well as dental care, dermatology, a pharmacy, a supplement center, and a women's clinic staffed entirely by women.

¶2. (SBU) The TMMC corporate structure represents a breakthrough in Japan's medical system. Under current regulations, most Japanese medical corporations must be run under the direction and/or ownership of a licensed Japanese physician and on a not-for-profit basis -- precluding any foreign direct investment (FDI). While TMMC has no FDI, its structure allowing foreign training and consultation could become a model for similarly structured deals in the future. End summary.

The Break-through Structure

¶3. (SBU) At an American Chamber of Commerce Japan (AC CJ) Healthcare Services sub-committee meeting on April 9, Tokyo Midtown Medicine Co. Board member Tetsuya Furukawa introduced the newly opened Tokyo Midtown Medical Center (TMMC) and explained its complicated business structure, necessitated by strict Japanese legal requirements. Furukawa described how Tokyo Midtown's primary developer, Mitsui Fudosan, wanted an on-site medical center to service the complex's Ritz Carlton Hotel guests and the approx. 20,000 employees and residents in the development. Mitsui Fudosan combined forces with Resort Trust Inc., a Japanese company whose principal activities include operating membership resort clubs, hotels and restaurants but whose interests also include medical facilities. Resort Trust has a wholly owned subsidiary, High Technology Medical Complex (HIMEDIC), created in 1992 to branch out into medical operations. HIMEDIC took a 66.5

percent interest in TMMC while Mitsui Fudosan holds the other 33.5 percent. The company then sought an internationally recognized medical affiliation, choosing Johns Hopkins of Baltimore, US News & World Report's top-rated US hospital for the last 16 straight years. Finally, the company sought doctors to create TMMC, the medical service providers and the final piece of the puzzle.

The Johns Hopkins Affiliation

14. (SBU) Johns Hopkins International (JHI) is an organization within Johns Hopkins Medicine charged with advancing the Johns Hopkins mission of teaching, research and patient care internationally, according to its website. In addition to coordinating care for international patients, JHI provides services in healthcare consulting, clinical service development, laboratory management, and education programs for the international medical community. Besides TMMC, JHI has projects in India, China, Turkey, Ireland, Eastern Europe, the United Kingdom, Lebanon, UAE, Panama, Mexico and Trinidad and Tobago.

15. (SBU) Because JHI is not approved by the Japanese government, it can have no ownership or investment in any Japanese medical facility; an affiliation is legal, however, although relationship with JHI does not extend to TMMC's dental care. JHI has trained TMMC's staff, all of whom speak English, and will travel to Japan four times a year to train them in the latest technology. JHI also will receive fixed royalties allowing the affiliation to be advertised. Furukawa noted that TMMC has benefited from the recent change in the law allowing medical facilities to post photos of

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doctors and advertise the facility. Furukawa stressed that JHI's interests lie in accruing capital gains, not in attracting new patients to the hospital's Baltimore location. He also noted that the company's relationship with the Ministry of Health, Labor and Welfare (MHLW) is good, although MHLW is watching the company very closely to ensure that no laws are broken.

New Doctor-Patient Protocol

16. (SBU) Furukawa divulged that JHI had learned a lot about patient treatment from the Ritz Carlton and Disney, -- two companies well known for exceptional service -- much of which has been put into practice in Baltimore and now TMMC. He said, for example, that, contrary to current Japanese patient-doctor protocols, patients and doctors at TMMC are regarded as equals. Patients will be referred to as "o-kyaku-san" or "honored guest" rather than as "patient." Doctors will stand and greet patients at the doors of their offices rather than waiting for a knock and then granting patients leave to enter. Furukawa admitted that TMMC staff had required a fair amount of training and had not yet fully adjusted to this new way of handling patients.

American Advantage

17. (SBU) Commenting on how much easier it is for a private company to reduce costs, Furukawa outlined four areas where TMMC benefits from the JHI affiliation. First, TMMC profits from US-style hospital management and organization efficiencies, which he maintains exceed Japan's (Note: as do all other analysts of Japan's healthcare system). Second, TMMC offers service excellence, something else American hospitals do better than Japanese hospitals, he said. Third is the opportunity for US-Japan medical exchanges, and last is the center's ability to offer specialty services not yet

available in Japan or not as advanced as in the United States, such as cancer treatments.

TMMC Services

¶18. (SBU) Located on the sixth floor of the complex's tallest building, the Center occupies 25,000 square feet, the largest in Japan, according to Furukawa. TMMC has six facilities: the Outpatient Division (cardiology, internal medicine, gastroenterology, dermatology, sports orthopedics and orthopedic surgery, ophthalmology, travel clinic); Health Screening Center including a women's clinic; Special Services including a comprehensive back pain clinic and an international and executive division; Aesthetic Dermatology; a Dental Clinic including orthodontistry; and a Supplement Center including nutritional counseling. A seventh area, the Pharmacy, is operated by an outside company that has contracted directly with TMMC. Future plans include a possible inpatient facility and day surgery that might require an overnight stay. Part of the agreement the Midtown Center has with TMMC is that doctors are on call 24 hours a day for residents, including guests at the Ritz Carlton Hotel.

Risk and Reward

¶19. (SBU) Asked who carried the risk in the structure, Furukawa said it lay with TMMC and the banks that had extended it loans. Tokyo Midtown Medicine Company, not TMMC, owns the facility's physical property and has hired its management; it also receives payment for its consulting and administration services but will not receive any increase unless it renegotiates existing contracts. TMMC, on the other hand, hires and pays the doctors. If TMMC makes a

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profit one year, TMMC doctors will receive an increase in their wages the following year. Furukawa agreed that starting a medical corporation in Japan is not difficult but it has to be done by doctors. The difficulty lies in securing a location and then securing and managing it.

National Health Insurance Covers It

¶10. (SBU) Furukawa observed that some of the press coverage of TMMC had been incorrect or had overstated certain aspects. For example, nearly sixty percent of the business will be covered by Japanese national health insurance. He agreed, however, that losses incurred from this business would be covered by its more elite services such as its Executive Health program, which offers participants a series of more than 250 tests over several days.

Net-working Necessity

¶11. (SBU) Furukawa admitted that his company had learned a lesson from the Roppongi Hills complex's medical center, which failed to reach out to and network with area doctors in advance of opening. As a result, the area doctors had caused some unspecified trouble for the medical center, which TMMC was able to avoid.

Comment

¶12. (SBU) The opening of TMMC has generated plenty of buzz in the press and amongst medical professionals. The ACCJ

already has hosted a lunch for TMMC staff as well as the briefing described above. Most of the press reports have left the impression that TMMC is aimed at the elite, something its management is attempting to dispel. Certainly, elite services are on offer but so are national health insurance-covered general services. Nevertheless, the overall opulence of the new Tokyo Midtown development may dissuade the general population from seeking out TMMC's services.

¶13. (SBU) TMMC's corporate structure is very complex and may be difficult to imitate but it offers hope for US businesses trying to break into Japan's medical services sector. As long as Japan regulates hospitals to be owned and managed solely by individual doctors, however, a thoroughgoing reform of healthcare services and entry of foreign providers will remain very difficult.
DONOVAN